

UNCLASSIFIED

*File*  
Page: 1

Current Class: CONFIDENTIAL  
Current Handling: n/a  
Document Number: 1985BOGOTA00733

RELEASED IN FULL

Channel: n/a

CONFIDENTIAL

PAGE 01            BOGOTA 00733 01 OF 02 221407Z  
ACTION EB-08

INFO	OCT-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	DODE-00	H-01	ARA-00	NSAE-00	COME-00	L-03	PM-10
	INT-05	OPIC-07	CEA-01	OMB-01	STR-14	OES-09	ACDA-12
	JUS-01	USIE-00	SP-02	DOEE-00	SNP-01	PRS-01	SLPD-01
	SSA-02	/090 W					

-----131227 221411Z /50

R 212142Z JAN 85  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC 7863  
INFO DEPTTREAS WASHDC  
AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 01 OF 02 BOGOTA 00733

E.O. 12356: DECL: OADR  
TAGS: EPET, KALR, CO  
SUBJECT: OCCIDENTAL ACTIVITIES IN COLOMBIA

REF: 84 BOGOTA 11497

1. SUMMARY: OCCIDENTAL PETROLEUM OFFICIAL BELIEVES THAT COLOMBIA WILL BE EXPORTING HIGH QUALITY OIL FROM THE NEWLY DISCOVERED ARAUCA FIELD BY MID-1986. TOTAL COST PER BARREL IS EXPECTED TO BE ABOUT 13 DOLLARS. OXY BELIEVES THAT PROVEL OIL RESERVES IN ARAUCA WILL RISE ABOVE ITS CURRENT ESTIMATE OF ONE BILLION BARRELS. END SUMMARY.

2. ECON COUNSELOR MET WITH OCCIDENTAL PETROLEUM FINANCE MANAGER TO REVIEW THE DEVELOPMENT OF OXY'S ARAUCA DISCOVERY. IN A JOINT VENTURE WITH ECOPETROL, THE NATIONAL OIL COMPANY, IT IS ARRANGING FOR THE CONSTRUCTION OF AN OIL PIPELINE FROM ARAUCA FIELDS TO THE PORT OF COVENAS, JUST SOUTH OF CARTAGENA. THE PARTNERS HOPE TO EXPORT OIL BY MID-1986.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02            BOGOTA 00733 01 OF 02 221407Z

3. THE FIRST SEGMENT OF THE PIPELINE, CONNECTING THE ARAUCA FIELDS TO RIO ZULIA, IS BEING BUILT BY THE GERMAN

Current Class: CONFIDENTIAL

Page: 1

UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: OSCAR J. OLSON  
DATE/CASE ID: 5 NOV 2002 200201334

UNCLASSIFIED

UNCLASSIFIED

Current Class: CONFIDENTIAL  
Current Handling: n/a  
Document Number: 1985BOGOTA00733

Page: 2  
Channel: n/a

COMPANY, MANNESMAN. KIDNAPPINGS OF FOUR EXPATRIATES AND SHOOTING INCIDENTS PERPETRATED BY ELN GUERRILLAS AGAINST CREWS IN NOVEMBER AND DECEMBER HAD PARALYZED CONSTRUCTION ACTIVITY. THREE OF THE FOUR KIDNAP VICTIMS HAVE NOW BEEN RETURNED. ACCORDING TO OXY OFFICIALS, MANNESMAN HANDLED THE NETIONS FOR THEIR RETURN IN A CLUMSY MANNER. OBSERVERS SPECULATE THAT A RANSOM WAS PAID. IN JANUARY, THE GOVERNMENT SENT GROUND TROOPS AND AIR-MOBILE UNITS TO PROTECT CONSTRUCTION TEAMS WORKING ON THE 300 KILOMETER PIPELINE. MANNESMAN RESUMED CONSTRUCTION ON THE PIPELINE THE WEEK OF JANUARY 14.

4. DESPITE THE TWO MONTH DELAY, MANNESMAN HAS ASSURED THE PARTNERS THAT THE PIPELINE WILL BE IN SERVICE BY DECEMBER 1985, AS PROMISED. CONSTRUCTION WORK HAS RENEWED WITH LARGER WORK CREWS AND MORE EQUIPMENT. OXY MANAGEMENT IS NOW MORE CONFIDENT THAT MANNESMAN WILL GET THE JOB DONE ON TIME BECAUSE OF RECENT PROGRESS: THE SURVEYING WORK IS FINISHED, ADDITIONAL CONSTRUCTION EQUIPMENT HAS ARRIVED, OILPIPE IS BEING TRUCKED INTO PLACE AND PUMPING STATION SITES ARE UNDER CONSTRUCTION. HOWEVER, OUR SOURCE SAID THAT OXY WILL TRACK PROGRESS CLOSELY.

5. THE PROJECT PARTNERS HAVE INVITED FOUR CONSORTIA TO BID ON THE SECOND AND THIRD LENGTHS OF THE PIPELINE, FROM RIO ZULIA TO AYACUCHO AND ON TO COVENAS. ARAUCA OIL CAN BEGIN TO FLOW TO THE BARRANCABERMEJA REFINERY ONCE THE PIPELINE REACHES AYACUCHO, HOPEFULLY BY DECEMBER 1985. EXPORTS CAN BEGIN ONLY AFTER THE ENTIRE LINE IS

CONFIDENTIAL

PAGE 03            BOGOTA   00733   01 OF 02   221407Z

COMPLETED, PERHAPS AS SOON AS MID-1986. ECOPETROL AND OXY WILL REVIEW THE BIDS AND MAKE THE AWARDS IN FEBRUARY. THE FOUR GROUPS INCLUDE MANNESMAN AND BECHTEL, WHICH HAS NOW JOINED FORCES WITH WILBROS. ALTHOUGH THE GROUPS WERE ASKED TO BID ON THE ENTIRE PROJECT, THE OXY SOURCE SAID THAT ECOPETROL WILL PROBABLY DIVIDE IT AMONG THEM. HE INDICATED THAT THIS STRATEGY WAS DEVISED BY ECOPETROL TO LOWER BIDS AND IMPROVE FINANCING. THE OXY OFFICIAL WAS QUITE COMPLIMENTARY OF ECOPETROL'S PLANNING AND NEGOTIATING TACTICS, WHICH HAVE APPARENTLY RESULTED IN FAVORABLE PRELIMINARY BIDS, INCLUDING STRONG FINANCIAL BACKING BY NATIONAL EXPORT-IMPORT BANKS AND SUPPLIERSHE 400 MILLION DOLLAR PIPELINE PROJECT WILL PROVIDE AN IMPORTANT BOOST TO THE ECONOMY OF NORTH COAST DEPARTMENTS.

Current Class: CONFIDENTIAL

Page: 2

UNCLASSIFIED

UNCLASSIFIED

Current Class: CONFIDENTIAL  
Current Handling: n/a  
Document Number: 1985BOGOTA00733

Page: 3  
Channel: n/a

IT IS EXPECTED TO HELP THE AILING CONSTRUCTION INDUSTRY AND REDUCE LOCAL UNEMPLOYMENT. ABOUT 50 PERCENT OF THE PROJECT CONTRACTS WILL BE RESERVED FOR COLOMBIAN COMPANIES.

6. THE PARTNERS HAVE NOT YET DECIDED WHAT TYPE OF STORAGE AND LOADING FACILITY SHOULD BE BUILT AT COVENAS. OXY FAVORS A PERMNETLY ANCHORED SUPERTANKER AND FEEDLINES WHICH WOULD COST 80 MILLION DOLLARS. ECOPETROL PREFERS MORE COSTLY ON-SHORE FACILITIES.

7. IN THE MEANTIME, OXY HAS FOUND MORE OIL IN ARAUCA. IT NOW ESTIMATES PROVEN RESERVES IN ITS AREAS AT ABOUT 700 MILLION BARRELS, EVEN THOUGH ECOPETROL'S FIGURE IS ONLY 600 MILLION. ACCORDING TO A COMPANY GEOLOGIC MAP, OXY HAS IDENTIFIED AS EXCELLENT PROSPECTS EIGHT TO TEN OTHER AREAS AND AS PROMISING ANOTHER DOZEN SITES. OXY RECENTLY ANNOUNCED THE DISCOVERY OF 150 MILLION BARRELS OF HIGH GRADE CRUDE AT ITS REDONDO SITE, TO THE WEST OF THE MAIN FIELD AT CANO LIMON. THE NEW FIND HAS RAISED OXY'S HOPES THAT MORE OIL LIES UNDER AN ADJACENT

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BOGOTA 00733 01 OF 02 221407Z

CONFIDENTIAL

NN

CONFIDENTIAL

PAGE 01 BOGOTA 00733 02 OF 02 221407Z  
ACTION EB-08

INFO	OCT-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	DODE-00	H-01	ARA-00	NSAE-00	COME-00	L-03	PM-10
	INT-05	OPIC-07	CEA-01	OMB-01	STR-14	OES-09	ACDA-12
	JUS-01	USIE-00	SP-02	DOEE-00	SNP-01	PRS-01	SLPD-01
	SSA-02	/090 W					

-----131245 221413Z /50

R 212142Z JAN 85  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC 7864  
INFO DEPTTREAS WASHDC  
AMEMBASSY CARACAS

Current Class: CONFIDENTIAL

Page: 3

UNCLASSIFIED

Current Class: CONFIDENTIAL  
 Current Handling: n/a  
 Document Number: 1985BOGOTA00733

Page: 4  
 Channel: n/a

C O N F I D E N T I A L SECTION 02 OF 02 BOGOTA 00733

PROPERTY. THE FIND WAS ESPECIALLY WELCOME AFTER TWO EXPLORATORY WELLS IN A PROMISING AREA TO THE NORTH OF THE CANO LIMON WERE DRY. ONE OF THESE, VERY CLOSE TO THE VENEZUELAN BORDER, LEADS OXY TO CONCLUDE THAT THE ARAUCA FIELD DOES NOT STRETCH ACROSS THE INTERNATIONAL BOUNDARY. OXY STILL BELIEVES THAT RESERVES IN EXCESS OF ONE BILLION BARRELS WILL BE DEVELOPED IN ARAUCA. THE OFFICIAL PROJECTED THE EXPORTED COST OF THE OIL AT AROUND 13 DOLLARS.

8. LAST WEEK, OXY PRESIDENT RAY IRANI VISITED COLOMBIA TO CALM GOC OFFICIALS, WHOSE CONFIDENCE WAS SHAKEN BY A JANUARY 8 WALL STREET JOURNAL ARTICLE ABOUT A CANCELED MERGER OF OXY AND DIAMOND SHAMROCK CORP. THE ARTICLE QUOTED DIAMOND SHAMROCK CHAIRMAN AS SAYING THAT OXY'S WEAK MANAGEMENT AND INDEBTEDNESS WERE THE CAUSE OF THE FAILED MERGER. OUR SOURCE SAID THAT IRANI HAD SUCCESSFUL MEETINGS WITH PRESIDENT BETANCUR AND MINISTER OF MINES ALVARO LEYVA. OXY RELEASED TO THE PRESS A DETAILED ACCOUNTING OF ITS ACTIVITIES IN COLOMBIA AND THE REST OF THE WORLD TO IMPROVE ITS PUBLIC IMAGE.

CONFIDENTIAL

PAGE 02 BOGOTA 00733 02 OF 02 221407Z

9. RESTRICTED ACCESS TO INTERNATIONAL FINANCIAL MARKETS REMAINS A CRITICAL PROBLEM FOR BOTH OXY AND ECOPETROL. IT WILL COST 1.5 BILLION DOLLARS TO DEVELOP THE ARAUCADS AND BUILD ASSOCIATED IN FRASTRUCTURE TO MARKET THIS OIL. OUR SOURCE NOTED THAT THE REAL PROBLEM WILL BE UP-FRONT MONEY BECAUSE ONCE THE OIL IS FLOWING, THE REVENUES WILL FINANCE THE REST OF THE PROJECT. ECOPETROL IS REPORTEDLY CONFIDENT THAT IT CAN BORROW AT LEAST 150 MILLION DOLLARS TO COVER ITS SHARE OF FIELD DEVELOPMENT COSTS THROUGH MID-1986. IT IS LESS CONFIDENT ABOUT RAISING FUNDS FOR THE PIPELINE AND HAS ASKED OXY TO CONCENTRATE ITS EFFORTS THERE.

10. COMMENT: WE NOTED THAT OUR SOURCE SEEMED MORE CONFIDENT ABOUT OXY'S PRESENCE IN COLOMBIA SINCE OUR LAST TALK IN NOVEMBER. AT THAT TIME, HE WAS VERY WORRIED ABOUT SECURITY PROBLEMS OF THE PIPELINE PROJECT, MANNESMAN'S ABILITY TO COMPLETE THE PIPELINE ON TIME, ECOPETROL'S ABILITY TO FINANCE ITS SHARE OF PROJECT COSTS, AND APPARENT OVER-OPTIMISM REGARDING THE EXTENT

Current Class: CONFIDENTIAL

Page: 4

UNCLASSIFIED

Current Class: CONFIDENTIAL  
Current Handling: n/a  
Document Number: 1985BOGOTA00733

Page: 5  
Channel: n/a

OF OIL RESERVES. WHILE HE REMAINS CONCERNED,  
PARTICULARLY ABOUT THE FIRST THREE, HE APPEARED VERY  
ENTHUSIASTIC ABOUT RECENT PROGRESS DESCRIBED ABOVE.  
ONE SIGN OF OXY'S COMMITMENT TO PUSH AHEAD IS THAT,  
DESPITE CONCERNS ABOUT SECURITY FOR PERSONNEL, OXY  
HAS CONTINUED TO BRING NEW EMPLOYEES AND THEIR FAMILIES  
INTO THE COUNTRY. TULL

CONFIDENTIAL

NN

Current Class: CONFIDENTIAL

Page: 5

UNCLASSIFIED